

# Medicare Bad Debts — New Requirements Concerning “Sub-ledgers” Violate Longstanding Practices

Insights

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According to some MACs, the maintenance of a bad debt sub-ledger to record a patient's bad debt after the reasonable collection effort required by PRM 15-1 § 310 has been completed, and the account has been reduced to zero on the General Ledger, means that the hospital has not “written off” the bad debt and ceased all efforts to collect the debt. Some MACs are adjusting hospital bad debts because the provider has not reduced all sub-ledger accounts to zero – notwithstanding entries of “zero” on the General Ledger. These bad debt adjustments are inconsistent with the purpose of a sub-ledger, which is to document the bad debt so that any future recovery of the patient's debt can be properly recorded.

This practice violates the Medicare statute's requirement for notice and comment rulemaking; cannot be applied retroactively; and is inconsistent with longstanding precedent defining the requirements of a reasonable collection effort mandated by 42 C.F.R. § 413.89(e)(2) and PRM 15-1 § 310.

HLB is prepared to assist hospitals in the appeal of adjustments made applying these policies and to recommend improvements to a hospital's debt collection policies to ensure compliance with applicable requirements.

If you would like more information about these issues or are interested in engaging HLB to challenge your hospital's bad debt adjustments, please contact Robert Roth, (202) 580-7701, [rroth@hooperlundy.com](mailto:rroth@hooperlundy.com), or Arthur Peabody, (202) 580-7710, [apeabody@hooperlundy.com](mailto:apeabody@hooperlundy.com) in HLB's Washington office or your regular HLB contact.

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